

# Transfer Pricing Alert

## Alert 1 of the 'Transfer Pricing Alert' series

**Botswana Budget 2018/19 gives vision into the implementation of transfer pricing laws in Botswana. Accordingly, Grant Thornton presents its insight on the matter in a series of alerts about transfer pricing, supported by local knowledge and experience of Rajesh Narasimhan, Taxation Partner.**

At Grant Thornton, we understand that transfer pricing is the number one international tax area of concern to multinationals. Although the principles are common, interpretations differ from one tax authority to another and we are now starting to see a greater emphasis on examination and audit activity to encourage compliance. With ever-more fiscal authorities now also focusing on further developing their transfer pricing rules, ignoring the issue is not an option for any well run business.

### What is transfer pricing and who is affected?

Transfer pricing is the pricing of goods and services within a multinational organization. The term usually refers to prices on cross-border transactions between entities, eg from a parent company to a foreign subsidiary. Since prices are controlled within the organization, a price that appears to reflect market pricing may not be viewed as an "arm's length" price by a tax authority.

Tax authorities review transfer pricing in order to tackle profit shifts detrimental to the tax revenue of their country. Grant Thornton transfer pricing specialists are experts at helping clients navigate through the maze.

### Understanding multinational tax challenges

Growing international businesses need to examine their related party transactions to ensure that they comply with the transfer pricing laws of each country in which they operate. Compliance with the differing requirements of multiple tax jurisdictions is a complicated and time consuming task, hence we can provide local advice from our various Grant Thornton offices in the region and across the world, to make certain that they satisfy local rules and avoid double taxation (being taxed twice on the same profit).

Tax authorities in each country strive to ensure that transfer prices have not been set (or profits manipulated) to avoid tax. Almost without exception, they are imposing stricter penalties, new documentation requirements, an increase in information exchange and increasing their audit and inspection activity.

### Facing complex issues

We understand that businesses will have to face a number of complex issues which could include:

- Managing transfer pricing policies and procedures efficiently
- Documentation requirements in multiple jurisdictions



**Rajesh Narasimhan, Partner - Taxation**

- Tax authority transfer pricing audits or enquiries
- Taking a more strategic view of the business, for example, centralizing services and supply chain management

### How transfer pricing specialists can help you address your business needs

We provide comprehensive solutions tailored to your needs, taking business objectives and the exact nature of the transactions into consideration, to deliver the best service to you.

### The transfer pricing process

We can devise and document a clear transfer pricing strategy for your organization. We tailor our approach to your needs and the process may include:

- A fact-finding exercise - analysis of the functions performed and risks assumed by each entity
- Selection of the appropriate transfer pricing method and identification of the tested parties
- Benchmarking analysis - comparable companies are identified using both global and local databases, and an economic analysis is conducted
- Documentation - results are collated into a report and the required documentation is prepared
- Assistance with related party disclosures
- Dispute resolution - assisting your company in defending your transfer pricing policies before the tax authorities
- International compliance assessment to meet standards in other jurisdictions
- Transfer pricing risk assessment
- Transfer pricing planning

**For a detailed assessment or assistance in addressing/resolving inter-company transfer pricing within your organization, please contact the Marketing, Communications and Business Development team on 395 2313, or Rajesh Narasimhan on [rajesh.narasimhan@bw.gt.com](mailto:rajesh.narasimhan@bw.gt.com).**



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